

MEMO

TO: Michigan House Commerce & Tourism Committee Members
FROM: David Q. Worthams, Director – Human Resource Policy 
DATE: January 27, 2022
Re: SUPPORT – SB 791

The Michigan Manufacturers Association (MMA) is proud to stand with Senator Ken Horn to support SB 791. This bill would extend the waiver from the existing work search requirements in the Michigan Employment Security Act to recognize the continued parts shortage is causing longer than expected but temporary layoffs. More specifically, the bill addresses the needs of manufacturers and automotive part suppliers who continue to be hampered by the worldwide shortage in semiconductor computer chips.

As you know, there has been a shortage of these computer chips since March 2020 when the COVID pandemic began. COVID forced automakers to shut plants down and temporarily halt orders from chip suppliers. At the same time, the electronics industry faced increased demand for all sorts of products (cell phones, televisions, computers, etc.) as people worked from home. Chipmakers rerouted their supply from the automotive industry to electronics.

When the autos came back online faster than many expected in the summer of 2020, it found that the chips needed were not available as it takes about three months to make semiconductors with some additional time needed to retool the plants from making cellphone chips to the legacy chips needed in automotive vehicles.

Adding to the supply chain stress was a fire at the Renesas Electronics chipmaking plant in Japan in March 2021. This brought their production to a halt and will take close to 18 months before the plant gets back to its full capabilities. Keep in mind that many large automotive companies rely on Renesas as their major source of chips.

We are cautiously optimistic that the number of available semiconductor chips will improve this year, although admittedly it may be closer to the later part of the year. As a result, the changes the Legislature made to the Act need to be revisited.

Last year, you amended the Act to allow employees facing a temporary layoff because of a parts shortage to have the work search requirement waived during the time they are laid off for up to 90 days. The rationale being that, by granting the waiver, these highly trained and skilled workers will remain with their current employer and not be lost to other industries by being forced to search for work. This is important for manufacturers as we regularly invest millions of dollars in training our work force so they are specialized in the technologies of today and tomorrow. With the chip shortage running into this year, a 90-day waiver no longer provides sufficient protection.

SB 791 recognizes that while we will have an end to chip shortage this year, we are not quite there yet. The bill allows employers to work with UIA to extend the work search waiver and allows this ability for the rest of this calendar year.

We are grateful for Senator Horn's continued leadership on this issue. We urge you to join him in supporting SB 791 and reporting it with your recommendation to your House colleagues.